

MTBE Phaseout, Flexibility, and CBG3--Our Views

CARB Workshop

8/4/99

Impact of Removing MTBE

- Increased T50
 - +10 degrees
- Decreased Dilution (volume)
 - -11%
- Decreased Octane
 - -2-3 numbers
- Current Predictive Model Response
 - 10% increase in THC
 - 2% increase in toxics
 - 1% decrease in NO_x
- Regulatory Flexibility Very Important in Making up The Loss

Governor Davis Called For Flexibility to Enable Smooth MTBE Phaseout

Point 6 of the Governor's Executive order defined his expectations for Phase 3 Reformulated Gasoline:

"By December 1999, the California Air Resources Board shall adopt California Phase 3 Reformulated Gasoline (CaRFG3) regulations that will provide additional flexibility in lowering or removing the oxygen content requirement and maintain current emissions and air quality benefits and allow compliance with the State Implementation Plan (SIP)".

WSPA Supports Maintaining Benefits Anticipated By ARB When Phase 2 Standards Were Adopted

Current Gasoline Regulatory Environment-

- FOUR CONCURRENT INTERACTIVE ISSUES

- MTBE PHASEOUT
- CA RFG PREDICTIVE MODEL UPDATE
- CA PHASE 3 GASOLINE
- ETHANOL ISSUES

Flexibility vs. Stringency

- Increased emissions stringency necessarily comes at the expense of flexibility
- Removing MTBE by itself adds stringency and removes flexibility
- CaRFG3 should add flexibility for MTBE removal and not impose significant new emissions reductions

What Constitutes Added Flexibility to Enable Smooth MTBE Phaseout

- Relief From Federal Oxy Mandate
- Credit for Existing Lower Sulfur Fuel
- New Predictive Model
- Non-Exhaust (RVP) Model
- Increased Caps

What Constitutes Decreased Flexibility

- Removal of MTBE
- Reducing Any Cap
- Loss of Fungibility in Distribution System
- Imposing New Emissions Reductions

What Constitutes Added Stringency

- Reducing Any Flat, or Average Specification Without Rebalancing Entire Specification
- Starting Benefits in Non-Exhaust Model Below 7.0 psi

Example Sources of Added Benefits Without Increase in Stringency

- EPA sulfur regulations
- Lower RVP in marketing emissions
- Incentive to blend lower sulfur

Conclusions

- We Support Current Open, Co-Operative Process
 - Needs to be complete by end of year
- Flexibility Needed to Remove MTBE
- Support Maintaining Originally-Expected Benefits
- Added Emissions Stringency Impedes Removal of MTBE
 - Reduces flexibility and increases risk of market disruption
- Uncertainties Remain
 - Consideration of program changes needs to be in the context of the four interconnected issues